

City of Somerville, Massachusetts



FY2009

Capital Investment Plan

Mayor Joseph A. Curtatone

CAPITAL INVESTMENT PLAN

INTRODUCTION

Everything the City does, from providing services to its residents and citizens, to equipping employees to effectively perform their jobs, requires the existence of certain basic physical assets. These assets include streets, water mains, parks, buildings, large equipment and technology. They must be purchased, maintained, and replaced on a timely basis or their usefulness in providing public services will diminish. The City's Capital Investment Plan (CIP) is developed to ensure adequate investment in the City's Assets.

CAPITAL POLICY FRAMEWORK

The goal of the capital planning process is to develop a financially sound schedule for the expenditure of funds for major prioritized capital improvements for FY2009 and the years beyond. To accomplish this goal, school and municipal officials were asked to participate in a planning process that was realistic and not an exercise that simply developed a "wish list". The Administration is committed to a process that identifies and prioritizes the most pressing capital needs of the entire city. While most departmental requests had merit, the City's projected financing resources fell short of accommodating all requests. After reviewing all of these capital requests, the Administration began the process of refining the requests and setting priorities.

The process of revising the CIP will occur each spring and coincide with the annual operating budget. The current year plan is submitted to the Board separately. Future operating costs associated with new capital improvement will be projected and included in operating budget forecasts.

The CIP is a plan and as such is subject to change at any time as certain capital projects and funding streams become more defined. Loss of state aid, emergencies, unanticipated expenditures in the operating budget, higher than anticipated borrowing costs, and federal grant cutbacks are all factors that can force a change in the assumptions of the CIP.

POTENTIAL SOURCES OF FUNDING

The following are potential funding sources for financing the City's capital investments:

- **Available Funds (Cash Capital)** – The City regularly appropriates monies from the General Fund and the Enterprise Funds to finance short-term, small capital investment projects. Funds may be appropriated directly from the General Fund Tax Levy as part of the Operating Budget. Examples of available funds are free cash and enterprise fund retained earnings.
- **Stabilization Funds** – Massachusetts General Law, Chapter 40, Section 5B provides for the establishment and maintenance of Capital Project Stabilization Funds. The Mayor and the Board of Aldermen may vote to appropriate sums of money into a Stabilization Fund for purposes of accumulating sums for future capital project financing. Appropriations may be made from a Stabilization Fund by a two-thirds vote of the Board of Aldermen for any purpose for which the City is authorized to borrow under Chapter 44, Sections 7 and 8.
- **Debt Service** – The City has traditionally financed large capital projects with debt. Debt can be appropriated under the General Fund Tax Levy or from Enterprise Funds.
- **Unexpended/Unobligated Bond Proceeds**- Unexpended and unobligated balances from bond proceeds, may be appropriated on the motion of the Mayor by the Board of Aldermen, and used as a financing source for new capital improvement or equipment requests.
- **State and Federal Grants** – The City uses dedicated state aid and grant funding to finance capital investment when these funds are available. The most notable sources of this financing is Chapter 90 State Highway Funds and the Community Development Block Grant.
- **Sale of Surplus Property** – Proceeds from the sale of surplus municipal real estate may be appropriated on the motion of the Mayor by the Board of Aldermen for financing capital projects. Generally, these proceeds are appropriated to a Stabilization Fund.
- **Water and Sewer Charges** – The policy of the City of Somerville is to recover the full budgetary cost of water and sewer operations and capital replacement from water and sewer use charges. Debt Service and issuance costs associated with water and sewer projects are to be financed from water and sewer use charges.
- **Other Available Funds** – Other sources include Parking Meter Receipts, Insurance Recoveries, and closeouts to Undesignated Fund Balance.

CAPITAL INVESTMENT PLAN FINANCING POLICIES

Except for projects or improvements authorized by a Proposition 2 ½ Debt Exclusion vote of the electorate, long-term debt for general financing for general municipal purposes shall be constrained to a maximum of **five percent (5%)** of total General Fund expenditures.

The City will endeavor to apportion a minimum of 30% of its yearly free cash certification to the Stabilization Funds.

The City will not use long-term debt for current operations.

Proceeds from the sale of surplus municipal property shall be dedicated to capital improvement financing.

To maintain the City's Aaa3 Bond Rating, a minimum balance of \$4.8 million shall be maintained in the Stabilization Funds as of June 30th of each fiscal year.

FY 2009 CAPITAL FINANCING STRATEGY

The plan presented for FY2009 is realistic given the amount of current resources available. Projects may be added to the Plan as economic conditions change.

The City is adding only a modest amount of **General Fund Debt Service** in FY2009 until the long-term macro forecast becomes clearer. The following situations may impact the long-range forecast:

East Somerville Community School Fire – The extent of the liability (renovation/new construction) is unknown at this time. The City continues to negotiate with the insurance carrier and to discuss the matter with the MSBA. The hope is that no additional debt service will be needed by the City to reconstruct or rebuild the East Somerville Community School. However, this scenario cannot be discounted at this time.

Sale or Lease of Surplus Property – The City's 5 year Capital Plan (FY2005-2009) was predicated on the sale of a number of city buildings to provide capital for various projects. While the assumptions underlying the FY2005 plan are not operative today, the fact remains that the lease or sale of some of these assets can provide an income stream to fund additional projects that are not currently in the plan. Such an option needs to be seriously considered given that the City is currently at the Proposition 2 ½ Levy Limit.

Other Post-Employment Liability- Government Accounting Standard Board Pronouncement #45 requires that all local governments show on their financial statements the total value of expected retiree health care liabilities for current employees and retirees. The long-term liability is determined after an actuarial valuation is completed. Somerville's expected liability will exceed \$200 million. The City may be required to fund this liability in future years.

New additional debt service for 2009 will include \$1,319,130 to procure a new, integrated financial management software system to be used by all city departments. Authorization shall be sought early in FY2009 for this purchase. The City is committed in FY2010 to purchase a Rescue Unit for the Fire Department

at a projected cost of \$650,000 as a condition for the implementation of the Federal SAFR Grant. Authorization shall be sought in FY 2010 for this purchase.

In its long-term projections of **General Fund Debt Service**, the Administration is assuming the following:

The City is assuming a 4.25% Long Term Borrowing Rate.

In the early stages of the projects, the City will borrow on a short-term basis. The City will evaluate market conditions as the project progresses to determine the feasibility of borrowing on a Long-Term Basis. The Five Year Capital Project Plan Payment Schedule assumes borrowing on a short-term basis for a period of two years, at which point the City is legally required to borrow on a long-term basis.

The Projected General Fund Debt Service is as follows:

- FY2009 - \$7,079,561
- FY2010 - \$7,899,947
- FY2011 - \$8,476,159
- FY2012 - \$9,045,172

Assuming a 4% rate of growth in General Fund Expenditures, the Debt Service to General Fund expenditure ratio is projected to be the following:

- FY2009 – 4.29%
- FY2010 - 4.60%
- FY2011 - 4.75%
- FY2012 - 4.87%

The CIP assumes an additional appropriation of \$2.0 million from the most recent free cash certification to the **Capital Projects Stabilization Fund**. The ending balance of the Capital Projects Stabilization Fund at June 30, 2008 is expected to be approximately \$3,532,435 million. The proposed list of projects to be funded in FY2009 is part of this plan.

The CIP assumes an additional appropriation of \$600,000 from the most recent free cash certification to the **Assembly Square Stabilization Fund**. The balance of the Assembly Square Stabilization Fund at June 30, 2008 will be approximately \$3,608,353 million. As part of the Assembly Square Covenants, the City expecting to receive additional monies from Federal Realty Investment Trust in FY2009. The Assembly Square Stabilization Fund finances park reconstruction and renovation projects. Updated cost figures have been obtained for the four previously authorized projects: Hodgkins, Central Hill, Grimmons, and Albion Parks. The Administration will seek increased authorizations for

each of these projects in FY2009. In addition, the Administration will seek new authorizations for the Zero New Washington Street and Highland Gardens projects. The Assembly Square Stabilization Fund will finance long-term debt and interest payments for all of these projects until such time that the fund is depleted. At that point, the General Fund will assume the remainder of the debt service payments. The General Fund will fund short-term interest payments until such time that the projects become Long-Term Debt.

FY2009 Recommended Capital Budget -Capital Stabilization Fund

Dept.	Item	Project Cost	Funding Source
SPCD	I-93 / MysticAvenue Study	89,750	Capital Stabilization
SPCD	Harris Park Swap Environmental Study I & II	55,000	Capital Stabilization
SPCD	Harris Park Swap Park Design	80,000	Capital Stabilization
SPCD	Union Square Transportation Study	89,750	Capital Stabilization
SPCD	Union Square Public Safety Environmental Study I & II	65,000	Capital Stabilization
SPCD	Citywide Space Needs Analysis and Facilities Master Plan	65,000	Capital Stabilization
SPCD	Boynton Yards Urban Renewal & Transportation Plan & Economic Analysis	75,000	Capital Stabilization
SPCD	Streetscape/Infrastructure Analysis/ Davis Square	65,000	Capital Stabilization
SPCD	Perry Park Café Tables	20,000	Capital Stabilization
SCHOOL	Brown, SHS, WHCS, WSCS, Cummings, Healey, Edgerly - Playground seal, coat, paint	76,000	Capital Stabilization
SCHOOL	Kennedy School - Purchase & Install New Water Heater	20,000	Capital Stabilization
SCHOOL	Brown School - Window Seal	49,496	Capital Stabilization
SCHOOL	Healey School - Purchase & Install New Water Heater	20,000	Capital Stabilization
POLICE	Police Cruiser	35,000	Capital Stabilization
POLICE	License Plate Reader System	50,000	Capital Stabilization
IT	Customer Resource Management Dashboard Licenses	12,000	Capital Stabilization
IT	Legislative Tracking System	15,000	Capital Stabilization
FIRE	Breathing Apparatus	42,000	Capital Stabilization
DPW	Preventative Maintenance Plan - City Buildings	72,000	Capital Stabilization
DPW	Preventative Maintenance Plan - School Buildings	61,000	Capital Stabilization
DPW	Preventative Maintenance Plan - Parks & Open Space	102,000	Capital Stabilization
DPW	Preventative Maintenance Plan - Roadways	61,000	Capital Stabilization
DPW	Public Safety Building - Repointing Concrete	300,000	Capital Stabilization
DPW	Install Bulletin Boards - 17 at Parks & Playgrounds	20,000	Capital Stabilization
DPW	Private Way Reconstruction	50,000	Capital Stabilization
DPW	Decorative Benches and Barrels	200,000	Capital Stabilization
DPW	Highland Avenue Fire Station - Condensate Pump	5,554	Capital Stabilization
DPW	Heavy Equipment - Trailer for Skid Steer	5,000	Capital Stabilization
DPW	Heavy Equipment - Jack Hammer Kit for Skid Steer	12,000	Capital Stabilization
DPW	Heavy Equipment - Forks for Skid Steer	700	Capital Stabilization
DPW	Heavy Equipment - (2) 8" Spare Plow Blades	6,000	Capital Stabilization
DPW	Heavy Equipment - Plow Attachment - John Deere	3,000	Capital Stabilization
CAP PROJ	Conway Park Retaining Wall -Repair	150,000	Capital Stabilization

Total 1,972,250

FY2009 Recommended Capital Budget -Assembly Square Stabilization Fund

Dept.	Item	Project Cost	Funding Source
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SPCD	Albion Park	1,075,000	Assembly Square Stabilization
SPCD	Grimmons Park	875,000	Assembly Square Stabilization
SPCD	Hodgkins Park and Ballfield	1,000,000	Assembly Square Stabilization
SPCD	Central Hill Park	1,200,000	Assembly Square Stabilization, Urban Self Help Grant
SPCD	Zero New Washington Street OLRA	525,000	Assembly Square Stabilization, CDBG
SPCD	Highland Gardens	160,000	Assembly Square Stabilization

Total	<u><u>4,835,000</u></u>
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FY2009 Recommended Capital Budget -General Fund Debt Service

Dept.	Item	Project Cost	Funding Source
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IT	Integrated Financial Management System	1,319,130	General Fund Debt Service
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Total	<u><u>1,319,130</u></u>
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FY2009 Recommended Capital Budget -Other Sources

Project Cost	Funding Source
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DPW	Resurfacing 44 Streets	2,993,000	Chapter 90, Water Enterprise, Mitigation Funds
SPCD	SAFE START Initiatives	296,367	Traffic Safety Stabilization

Total	<u><u>3,289,367</u></u>
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FY2008 Capital Investment Plan -Projects Pending

Dept.	Item	Project Cost	Funding Source
Cap. Proj.	Capuano School Soccer Field	848,845	Capuano School Bond, Capital Stabilization
DPW	Brown School Windows	150,000	Capital Stabilization
DPW	Refinish Gym Floors-Healey & West Somerville Neighborhood Schools	15,000	Capital Stabilization
DPW	Paint Shop Floor-Somerville High School	20,000	Capital Stabilization
DPW	Refinish Cafeteria Floor-Somerville High School	50,000	Capital Stabilization
DPW	Renovate Bathrooms -Somerville High School	260,000	Powderhouse Bond
DPW	Winter Hill School Repairs	300,000	School Bond Funds
Traffic	Repair Foundation -Traffic & Parking Building	26,095	Parking Meter Receipts
Traffic	Security Measures-cameras/glass-Traffic & Parking Building	11,000	Parking Meter Receipts

Total 1,680,940

Dept.	Project	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013	Total
EXISTING GENERAL OBLIGATION BONDS							
	Municipal Purpose 02/15/2002	2,078,620	2,078,220	2,059,220	2,033,220	1,983,000	10,232,280
	Municipal Purpose 03/15/2004	951,206	949,820	919,925	924,979	924,177	4,670,106
	Municipal Purpose 08/15/2006	1,021,805	986,905	903,205	807,005	571,505	4,290,425
	Refunding Municipal Purpose 08/15/2006	3,027,930	3,009,130	2,983,530	2,970,130	2,948,730	14,939,450
	MSBA 2% Loan - Dr. Albert F Argenziano School at Lincoln Park 02/12/2008	-	664,395	531,593	524,311	517,029	2,237,328
	TOTAL EXISTING BONDS @ June 30, 2008	7,079,561	7,688,470	7,397,473	7,259,645	6,944,441	36,369,589
NEW COMMITTED GENERAL OBLIGATION BONDS FOR FY 2009							
	Department Equipment GOB \$2,200,943	-	93,540	313,635	304,281	294,927	1,006,383 GF Debt Service
	Argenziano School Construction MSBA GOB \$3,500,000	-	-	148,750	323,750	316,313	788,813 GF Debt Service
	Trum Field Fieldhouse GOB \$2,775,000	-	117,938	256,688	250,791	244,894	870,309 GF Debt Service
	Command Vehicle GOB \$55,000	-	-	2,338	13,338	12,870	28,546 GF Debt Service
	Fire Prevention Vehicles (4) Hybrids GOB \$89,200	-	-	3,791	21,631	20,873	46,295 GF Debt Service
	Improvements to City's Energy Efficiency-ESCO GOB \$7,771,481	-	-	330,288	718,862	702,348	1,751,498 GF Debt Service
	ESCS Demolition GOB \$545,800	-	-	23,197	50,487	49,327	123,011 GF Debt Service
	TOTAL NEW COMMITTED GENERAL OBLIGATION BONDS FOR FY 2009	-	211,478	1,078,686	1,683,140	1,641,551	4,614,855
	SUB-TOTAL EXISTING & NEW COMMITTED GOB @ June 30, 2008	7,079,561	7,899,947	8,476,159	8,942,784	8,585,992	40,984,444
NEW CAPITAL BUDGET ITEMS							
SPCD	Hodgkins Park & Ballfield GOB \$1,000,000	-	-	2,125	45,833	109,025	156,983 Assembly Sq. Stabilization
SPCD	Central Hill Park & Memorial Park GOB \$705,058	-	-	2,125	33,298	76,827	112,250 Assembly Sq. Stabilization
SPCD	Grimmons Park GOB \$875,000	-	-	2,125	40,521	95,379	138,025 Assembly Sq. Stabilization
SPCD	Albion Park GOB \$1,075,000	-	-	2,125	49,021	117,213	168,359 Assembly Sq. Stabilization
SPCD	Zero New Washington Street GOB \$375,000	-	-	-	15,938	40,938	56,876 Assembly Sq. Stabilization
SPCD	Highland Gardens GOB \$160,000	-	-	-	6,800	17,467	24,267 Assembly Sq. Stabilization
		-	-	8,500	191,411	456,849	656,760 Assembly Sq. Stabilization Total
Fire	Fire Pumper GOB \$440,000	-	-	-	18,700	106,700	125,400 GF Debt Service
IT	New Financial Management System GOB \$1,319,130	-	-	-	56,063	187,976	244,039 GF Debt Service
Fire	Safer Grant Fire Pumper GOB \$650,000	-	-	-	27,625	157,625	185,250 GF Debt Service
		-	-	-	102,388	452,301	554,689 GF Debt Service Total
	SUB-TOTAL NEW CAPITAL BUDGET ITEMS	-	-	8,500	293,799	909,150	1,211,449
	GRAND TOTAL	7,079,561	7,899,947	8,484,659	9,236,583	9,495,142	42,195,893
	GROSS DEBT SERVICE PAYMENT	7,079,561	7,899,947	8,484,659	9,236,583	9,495,142	42,195,893
	DEBT SERVICE FUNDED BY ASSEMBLY SQ STABILIZATION	-	-	8,500	191,411	456,849	656,760
	NET DEBT SERVICE PAYMENT	7,079,561	7,899,947	8,476,159	9,045,172	9,038,293	41,539,133